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Mains Practice Questions

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Q.To tackle agrarian distress in a sustainable manner, direct income support to farmers need to be complemented with reforms in agri-marketing and trade policies.

Examine (250 Words)

18 Mar, 2019 GS Paper 3 Economy

Approach

- Write briefly about current agricultural distress.
- Give brief description of proposed Direct Income Support.
- Describe agri-marketing and trade policies reform which can be complemented to provide long term solution for agrarian crisis.

Introduction:

- Although agriculture contributes less than one-third of the output of the entire economy, it sustains about 55% of population directly or indirectly, rural centres are also key demand areas thus crucial for economic growth. However, in recent times farm incomes have been falling due to slower output growth, higher costs and increased vulnerability to a changing climate.
- Recently policy think tank Niti Aayog's proposed for an upfront direct income subsidy through **DBT (direct benefit transfer)** to farmers to provide relief to farmers facing agrarian distress. This will also help in enabling farmers to invest the finances in their required areas of need.

Body:

- DBT can alleviate farm distress in near future. However, for long term solution, demand side of agriculture produce needs to be dealt through reforms in agri-marketing and trade policies.
- As long as the agricultural produce does not get fair and remunerative price through reforms in agri marketing and trade policies agricultural crisis will not be solved.

Importance of Agriculture marketing and trade policies in discovery of prices:

- The present Act restricts the farmers from selling their produce to processor/manufacturer/ bulk processor, exporter, bulk retailer outside the market yard and the produce is required to be channeled through regulated market according to provisions of the APMC Act
- Poor farmers may typically get as little as 25% of the prices that consumers finally pay for their produce. The intermediaries between farmers and consumers are the major beneficiaries rather than the growers and end consumers.

- **Contract Farming**
 - Contract farming is crucial to promote food processing and to provide technical and financial support and quality input to smallholders.
 - The Model APMC Act circulated to States/UTs during 2003 provides for contract farming agreement and its model specifications. 20 states amended their APMC Act to make provision for Contract farming but only 12 notified the rules.
 - These rules should be notified by states which have amended APMC acts and those states which not yet amended the act need to act swiftly.
- **Direct Sale by Producers** to Processing Industries/Exporters/ Bulk Buyers
 - The producer should be free to enter into direct sale without the involvement of other middlemen outside the market yard in the market area under the relevant provisions of the concerned Act.
 - These changes in marketing and trading will break the monopoly of middle men and will ensure farmers are able to get fair prices for their produce.
- **De-link the provisions of compulsory requirement** of shop/space for registration of traders / market functionaries
 - At present only the traders/commission agent owning a shop/godown in the regulated market are allowed to purchase produce in the market.
 - This practice of compulsory licensing of commission agents/traders in the regulated markets has led to the monopoly of these licensed traders acting as a major entry barrier in existing APMCs for new entrepreneurs, thus, preventing competition
- **Take fruits and vegetables out of APMC Act**
 - Let producers have the right to sell to anyone they choose including integrator, village cooperative, or in APMC Mandi.
 - Currently restriction forces producers to sell their produce in designated Mandi only reducing their ability to get fair price from other places
- **Implementation of e-NAM** and e-trading in all States
 - **Promoting Cooperatives for marketing**
 - The Amul Dairy Cooperative is an outstanding example of how farmers empowered themselves through cooperation.
 - In other states of such cooperation led by women's self-help groups, initially for mobilizing credit and later for other activities have major success.

Conclusion:

- Direct Benefit Transfer has unique benefit of helping farmers in distress promptly.
- However for long term and holistic solution of agrarian crisis, marketing and trading policies need to be reformed to bring a structural change in agricultural produce marketing.